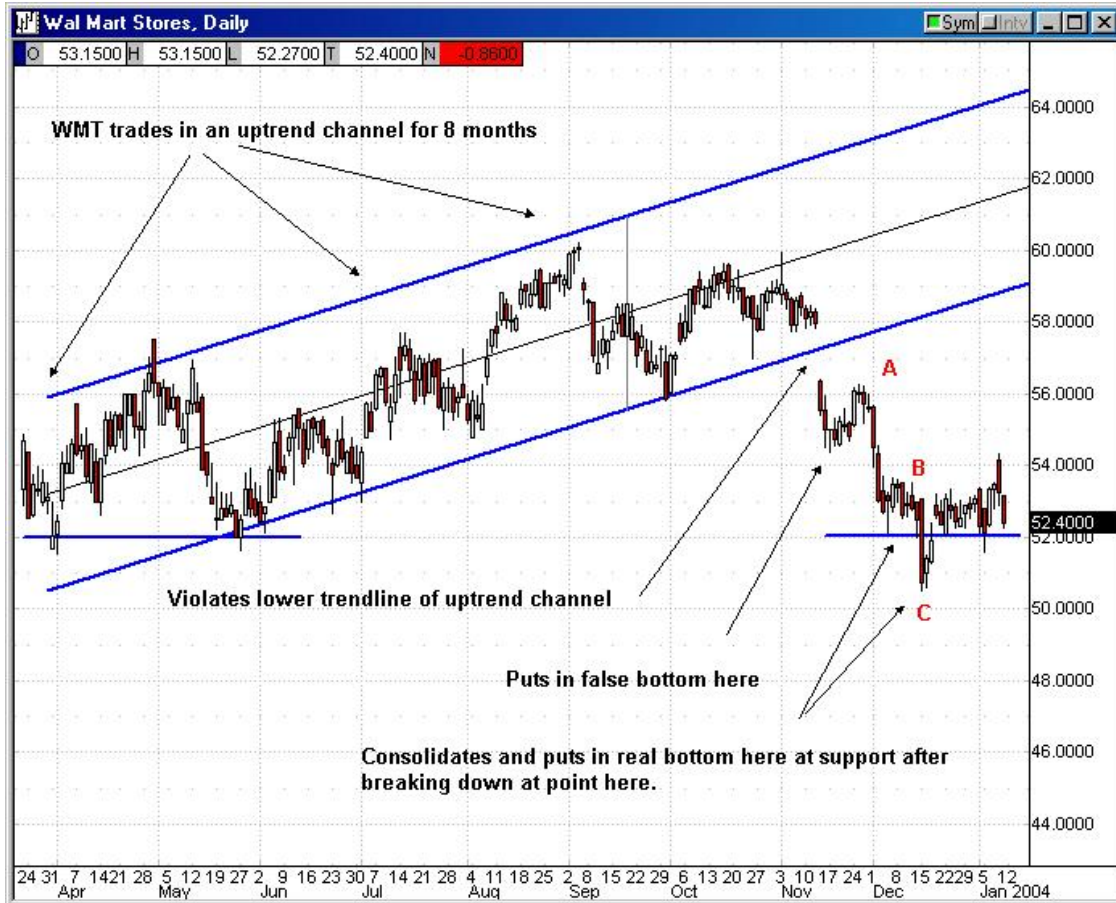


WMT Chart – Protective Put Example #3



NOTES ON WAL-MART (WMT) Protective Put

1. In mid-November 2003, Walmart opens down \$1.50 to \$56.25 and proceeds to trade down from there breaking the lower end of an uptrend channel.
2. Wal-mart then has a quick consolidation in mid-November around the \$54.50- \$55.00 level followed by a small technical rebound back to around \$56.25. This may have been due to some investors thinking that the consolidation was a bottoming and thus a buying opportunity.

As it turned out, it was a false bottom and the stock traded back



down rapidly to lower lows. A purchase at that level probably led to losses.

3. In early December, Walmart starts another consolidation around the \$52.50 level. It seems to be another buying opportunity for bottom fishers. There has already been one false bottom that has cost someone a lot of money. If that investor employed a protective put, the loss would have been limited and they may have been able to purchase again at this level if they wished.
4. The \$52.50 level turns out to be another false bottom and the stock trades down another \$2.00 to \$50.50. Here again, the same opportunity exists. Is this the bottom? If it is, a nice profit can be made quickly. If not, losses can mount quickly as another false bottom occurs and the stock trades down rapidly. This level, so far, turns out to be a good buying opportunity as the stock rebounds back up to \$52.50 quickly.

Conclusion: Bottom fishing can be a very risky endeavor; however, an investor cannot ignore the potential reward that comes with the risk. If the risk can be minimized without affecting the potential reward to a significant degree, the risk/reward scenario will be an advantageous one for a potential investment.

The protective put will accomplish this perfectly. In a case like this, the protective put strategy should be employed at any level where the investor deems it worthy of a capital commitment.

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